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7  
8 UNITED STATES DISTRICT COURT  
9 NORTHERN DISTRICT OF CALIFORNIA  
10

11 MONTEREY GOURMET FOODS,  
INC., a Delaware corporation,

12 Plaintiff,

13 vs.

14 WINDSOR QUALITY FOOD  
15 COMPANY LTD., a Texas Limited  
Partnership; and DOES 1 through 20,  
16 inclusive,

17 Defendants.

No. C08-01316 (JCS)

Case assigned for all purposes to  
Hon. Joseph C. Spero

**MEMORANDUM OF POINTS AND  
AUTHORITIES IN REPLY TO  
OPPOSITION TO COUNTERDEFENDANT  
MONTEREY GOURMET FOODS, INC.'S  
SPECIAL MOTION TO STRIKE  
COUNTERCLAIM OF WINDSOR  
QUALITY FOOD CO., LTD.  
[Cal. Code of Civ. Pro. § 425.16]**

Date: August 15, 2008

Time: 1:30 p.m.

Courtroom A (Hon. Joseph C. Spero)

Trial Date: Not Set

Related Papers: Companion Reply re  
Motion to Dismiss; Reply Declaration of  
Kathryn J. Allen

22 AND RELATED COUNTERCLAIM.  
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## MEMORANDUM OF POINTS AND AUTHORITIES

Plaintiff and counterdefendant Monterey Gourmet Foods, Inc. ("MGF") respectfully submits the following memorandum of points and authorities in reply to the opposition of defendant and counterclaimant Windsor Quality Food Company, Ltd. ("Windsor") to MGF's special motion to strike Windsor's counterclaim pursuant to Section 425.16 of the California Code of Civil Procedure.

### I. PRELIMINARY STATEMENT

Windsor has not submitted a shred of evidence to substantiate its fraud claim against MGF. That is because it has *none*. Rather, in an effort to keep that hollow claim alive for tactical use in this litigation, and knowing that it has no evidence that it could present to this Court on the merits, Windsor states that it need not present any evidence because its fraud claim supposedly presents what it calls a "federal question." MGF strongly disagrees – the counterclaim presents nothing more than a common law fraud case.

### II. STATEMENT OF THE RELEVANT FACTS

The facts pertinent to this motion are contained in the pleadings (MGF's Complaint and Windsor's counterclaim), the Declaration of Scott S. Wheeler, and in judicially noticeable facts (see MGF's accompanying Request for Judicial Notice ("RJN")). FRE Rule 201(d).<sup>1</sup> They are well-summarized in pages 2-6 of MGF's Memorandum of Points and Authorities filed in support of this motion.

Windsor does not and cannot dispute these facts, conceding that its fraud

<sup>1</sup> Under Rule 201(d) of the Federal Rules of Evidence, a court shall take judicial notice if requested by a party and supplied with the necessary information. The court may judicially notice official acts of government agencies or departments. *See, e.g., National Audubon Soc. v. Dept. of Water & Power of City of Los Angeles*, 496 F.Supp. 499, 503 (E.D.Cal. 1980). Similarly, judicial notice may be taken of officially maintained government publications, such as the USPTO's Trademark Electronic Search System ("TESS") and Trademark Document Retrieval ("TDR"). *See, e.g., Austracan (U.S.A.) Inc. v. Neptune Orient Lines, Ltd.*, 612 F.Supp. 578, 584-85 (S.D.N.Y. 1985). A district court is, of course, empowered to take judicial notice of trademark registrations with the USPTO. *Metro Pub., Ltd. v. San Jose Mercury News*, 987 F.2<sup>nd</sup> 637, 640-41 (9<sup>th</sup> Cir. 1993). *See also* Reply Declaration of Kathryn J. Allen submitted herewith.

1 counterclaim is a complete hoax. Rather, it tells this Court that it cannot reach the merits  
 2 of that claim, or the lack thereof, at this stage of the action, because of the alleged  
 3 “federal question” posed by its counterclaim. But when one actually looks at the claim  
 4 itself, and not the label placed on it, or the jurisdiction conferred on this Court by the  
 5 Lanham Act (a separate matter from what the claim is about), Windsor’s fraud claim is  
 6 nothing more than a garden variety common law claim involving no special federal  
 7 matters. When viewed against the broad remedial intent behind the anti-SLAPP statute,  
 8 to free California-based citizens from tactical claims based on protected activity (which is  
 9 what Windsor basically admits it is doing), it is submitted that the Court should apply the  
 10 statute to the fraud claim in this case, and grant the motion. Cal. Code of Civ. Pro. §  
 11 425.16(a).<sup>2</sup> Windsor should not be permitted to dress up an ordinary fraud claim, one for  
 12 which it obviously has *no evidence*, as a federal question, in order to continue what is  
 13 nothing more than a tactical ploy designed to deflect attention from its acts of  
 14 infringement.

### 15 16 III. LEGAL ARGUMENT

#### 17 A. The purpose and application of California’s anti-SLAPP Statute.

18 Some 15 years ago, California passed a statute designed to protect parties from  
 19 meritless claims arising from exercise of constitutional rights of free speech or petitioning  
 20 the government to act. C.C.P. § 425.16; *Metabolife Intn’l., Inc. v. Wornick*, 264 F.3<sup>rd</sup>  
 21 832, 839-40 (9<sup>th</sup> Cir. 2001); *Equilon Enterprises, LLC v. Consumer Cause, Inc.* (2002) 29  
 22 Cal.4<sup>th</sup> 53, 59-62. Such claims are known as Strategic Lawsuits Against Public  
 23 Participation, or “SLAPP suits,” and the statute is commonly referred to as the “anti-  
 24 SLAPP statute.” Moreover, the coverage of the anti-SLAPP statute is broad — where

25 <sup>2</sup> The remedial intent of the anti-SLAPP statute is codified in Subpart (a), which states:  
 26 “The Legislature finds and declares that there has been a disturbing increase in lawsuits brought  
 27 primarily to chill the valid exercise of the constitutional rights of freedom of speech and petition  
 28 for the redress of grievances. The Legislature finds and declares that it is in the public interest to  
 encourage continued participation in matters of public significance, and that this participation  
 should not be chilled through abuse of the judicial process. To this end, this section shall be  
 construed broadly.”

1 there are multiple factual allegations in a claim, the statute applies even if only one of the  
 2 allegations concerns protected conduct. *Fox Searchlight Pictures, Inc. v. Paladino*  
 3 (2001) 89 C.A.4<sup>th</sup> 294, 308.

4 **2. The anti-SLAPP statute can apply to federal cases.**

5 The statute is not limited in scope or application to the California state courts.  
 6 California's anti-SLAPP statute primarily embodies substantive law, and thus applies to  
 7 federal cases. See, e.g., *United States ex rel. Newsham v. Lockheed Missiles & Space*  
 8 *Co.*, 190 F.3<sup>rd</sup> 963, 972-73 (9<sup>th</sup> Cir. 1999). Whenever possible, the courts, including the  
 9 federal courts, should interpret the First Amendment and the anti-SLAPP statute in a  
 10 manner favorable to the exercise of freedom of speech, not to its curtailment. *Mello v.*  
 11 *Great Seneca Financial Corp.*, 526 F.Supp.2<sup>nd</sup> 1024, 1028 (C.D.Cal. 2007).

12 **3. While the Federal Courts are afforded jurisdiction over Windsor's**  
 13 **counterclaim, that does not change the nature of the underlying**  
 14 **counterclaim, which is nothing more than a common law fraud claim.**

15 Windsor asserts that its counterclaim raises a "federal question," because, as it  
 16 tells us at page 2 of its opposition, this case is brought under 15 U.S.C. § 1120 (Section  
 17 38 of the Lanham Act). [Opposition Brief, 2:11-15.] Section 38 of the Lanham Act  
 18 provides:

19 "Any person who shall procure registration in the Patent and Trademark  
 20 Office of a mark by a false or fraudulent declaration or representation,  
 21 oral or in writing, or by any false means, shall be liable in a civil action by  
 22 any person injured thereby for any damages sustained in consequence  
 23 thereof."

24 But there is nothing magical or particularly "federal" about such a civil action. It is  
 25 an action for fraud, which arises from common law principles. As has been repeatedly  
 26 recognized since *Erie R. Co. v. Tompkins*, 304 U.S. 64, 58 S.Ct. 817 (1938), there is no  
 27 federal common law, nor any federal common law of torts, such as fraud. See, e.g., *U.S.*  
 28 *v. United Airlines, Inc.*, 216 F.Supp. 709, 719 (E. D. Wash. 1962); *Gabel v. Hughes Air*  
*Corp.*, 350 F.Supp. 612, 621 (C.D. Cal. 1972). Thus, the Courts, including this Court,  
 will look to state common law principles (in this case California) for the law on fraud,  
 which is the entire basis for the counterclaim. The substantive law on this claim will and

1 must ultimately come entirely from California-based common law.<sup>3</sup> A quick reading of  
 2 the section above confirms that this must be so, since Section 38 of the Act tells us  
 3 nothing about what is required to obtain such relief, other than proving the procurement  
 4 of a trademark *by false or fraudulent declaration or representation*. Again, we are  
 5 ultimately looking to common law, which is the preserve of the individual states, not the  
 6 federal courts.

7 MGF certainly agrees that this Court does have jurisdiction to adjudicate  
 8 Windsor's counterclaim (something MGF is asking that the Court do on this very motion).  
 9 Such jurisdiction is conferred under 15 U.S.C. § 1121 (Section 39 of the Lanham Act).  
 10 But that jurisdiction is *not exclusive* to the federal courts, and the several states also  
 11 have jurisdiction to adjudicate trademark disputes. See, e.g., *Smail v. Sanders* (1889)  
 12 118 Ind. 105, 20 N.E. 296, 296-97; *Leidsdorf v. Flint*, 15 F.Cas. 260, 262 (Wisc. Cir. Ct.  
 13 1878), both citing to *In re Trademark Cases*, 100 U.S. 82, 96-99, 1879 WL 16583  
 14 (1879), nullifying an act by Congress attempting to confer exclusive jurisdiction upon the  
 15 federal courts in trademark cases. So the fact that this Court has non-exclusive  
 16 jurisdiction does not automatically convert the case into a "federal question" case.

17 And a quick review of Windsor's counterclaim reveals that there is nothing of  
 18 federal substantive law involved here; we are looking at an ordinary garden variety of  
 19 fraud claim. True, the so-called unwitting victim was the public, acting through the  
 20 USPTO, but that doesn't really change the equation. Windsor is still required to prove,  
 21 and this Court is still required to determine, each element of a fraud case in accordance  
 22 with substantive common law principles governing fraud claims.

23 Windsor cites to *Sonoma Foods, Inc. v. Sonoma Cheese Factory, LLC*, 2007 WL  
 24 2122638 (N.D.Cal. 2007) for the proposition that its counterclaim constitutes a "federal  
 25 question." MGF and its counsel are indeed well-familiar with the *Sonoma Foods* case  
 26 (*Sonoma Foods* is a subsidiary of MGF). There are several things about that case that

27 <sup>3</sup> Of course, the Court can and should also look to federal cases applying California  
 28 substantive law, and MGF does not mean to suggest otherwise. But ultimately, and unless  
 based upon a particular federal statute (e.g., RICO) federal cases on fraud are engendered from  
 common law principles arising from the laws of the several states.

bear mention in this reply. First, the District Court did in fact partially grant the anti-SLAPP motion (and awarded legal fees to the moving party). Second, the claims that the Court decided would not be subject to the anti-SLAPP motion were, for the most part, not common law tort claims, such as we have here, but rather trademark infringement and false designation/dilution claims under 11 U.S.C. § 1125(a) (Section 43 of the Lanham Act). Ostensibly, the District Court in *Sonoma Foods* very likely believed that those claims were so permeated by federal trademark principles as to take them out of the realm of state common law. And, to the extent the District Court lumped the fraudulent registration claims (which were immediately dropped by the plaintiff on further amendment) in with the infringement claims, MGF respectfully submits that the Court was incorrect, particularly given the fact that federal jurisdiction under 15 U.S.C. § 1121 is not exclusive, as discussed in the cases above.<sup>4</sup>

**4. The statute of limitations analysis applicable on its face to Windsor's claim under 15 U.S.C. § 1120, entirely resorts to state law principles, and thus presents no "federal question."**

There is another important distinction between our case and *Sonoma Foods*, and reason that this Court can and should reach the merits of MGF's anti-SLAPP motion at the upcoming hearing. That is because Windsor, in proclaiming that its claim is brought under 15 U.S.C. § 1120, has subjected that claim to a statute of limitations defense on the face of the pleadings. By the allegations of Windsor's counterclaim, the alleged fraud on the USPTO had to have occurred at least twelve years ago, because the registration that is the subject of the counterclaim (*Monterey Pasta Company*®) was issued January 30, 1996.

The Lanham Act *has no statute of limitations*. Thus, the issue of the statute of

<sup>4</sup> While MGF and its counsel have a great deal of respect for Judge White and his handling of the *Sonoma Foods* case, it is submitted that the decision there as to whether the claims involved substantive federal rights is of little or no precedential value here, where the *Sonoma Foods* case has now settled, and will forthwith be dismissed without trial, and there will never be a review or determination of the propriety of those rulings. Indeed, there could not have been such a review or determination, because the counterclaimant in *Sonoma Foods* promptly amended its counterclaim after *Sonoma Foods*' motion to strike was partially granted, and companion motion to dismiss was granted under Rule 12(b)(6), and abandoned all allegations of fraud on the USPTO in its amended pleading.

1 limitations is also a substantive matter governed by state law, and the closest state  
 2 statute is used. McCarthy on Trademarks and Unfair Competition ("McCarthy") § 31.85,  
 3 citing *Official Airline Guides, Inc. v. Goss*, 6 F.3<sup>rd</sup> 1385, 1395 -96 (9<sup>th</sup> Cir.1993). So the  
 4 determination of the merits of that defense, *one raised on the face of the pleadings*,  
 5 cannot involve any "federal question."

6 Turning to substantive principles of state law, the *Official Airline Guides* case, like  
 7 this one, was a cancellation action brought pursuant to Section 38 of the Lanham Act.  
 8 The Ninth Circuit squarely held that a counterclaim for cancellation pursuant to Section  
 9 38 arises on the date of the alleged fraud on the PTO, the date "when [the applicant]  
 10 procured the registration by using allegedly false statements." 6 F.3<sup>rd</sup> 1396. Applying  
 11 Oregon state law for the statute of limitations, the Ninth Circuit ruled that the claim was  
 12 barred because filed more than two years after the registration issued.<sup>5</sup>

13 This Court will, of course, apply the California statute of limitations in analyzing  
 14 the defense on this motion (and the companion motion to dismiss). California's statute  
 15 of limitations is three years for fraud (Cal. Code of Civ. Pro. § 338). Obviously, Windsor  
 16 could have brought a separate action against MGF on January 30, 1996, when MGF  
 17 procured the registration by allegedly using false statements or nondisclosures. Instead,  
 18 Windsor has waited until April 14, 2008, more than twelve years after the cause of action  
 19 accrued. This Court can properly dismiss as time-barred Windsor's counterclaim, and  
 20 can do so without addressing any purported "federal question." *Official Airline Guides*,  
 21 *supra*, 6 F.3<sup>rd</sup> 1395-96. Given the remedial intent of California's anti-SLAPP statute, and  
 22 its stricture that it should be interpreted and applied broadly, this Court should not  
 23 decline to reach the merits of the statute of limitations defense based upon a hollow  
 24 claim that this counterclaim presents a "federal question."

25  
 26 <sup>5</sup> Oregon's statute of limitations for fraud, like California's, is based upon discovery of the  
 27 fraud. ORS 12.110. Of course, since the whole point of trademark registration is to impart to the  
 28 world notice of a trademark, Windsor, like the plaintiff in *Official Airline Guides*, was put on  
 constructive notice of the registration of *Monterey Pasta Company®* with its registration on  
 January 30, 1996. 15 U.S.C. § 1072; *Maktab Tarighe Oveyssi Shah Maghsoudi, Inc. v. Kianfar*,  
 179 F.3<sup>rd</sup> 1244, 1249 (9<sup>th</sup> Cir. 1999).

IV. CONCLUSION

It is obvious that Windsor has no case for fraud on the USPTO, and is doing everything it can to have the Court defer analysis of the counterclaim, or the dearth of facts and evidence to support it. The fact that the Court has non-exclusive jurisdiction under the Lanham Act does not convert an ordinary common law fraud claim into a "federal question." It is respectfully submitted that no "federal question" is truly presented here, and the Court can and should apply California's anti-SLAPP statute to now dispose of this specious claim, as was intended by the California Legislature.

Dated: June 5, 2008

Respectfully Submitted,

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By: 

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